

RENEWABLE FUELS TAX CREDITS

Prior Law

The E-15 Plus Gasoline Promotion Tax Credit and the E-85 Gasoline Promotion Tax Credit provide income tax credits for retail dealers based on the total number of gallons sold of gasoline blended with specified amounts of ethanol. The E-15 Plus Gasoline Promotion Tax Credit requires an ethanol content between 15% and 69% per gallon. The E-85 Gasoline Promotion Tax Credit requires an ethanol content between 70% and 85% per gallon. Previously, both credits were scheduled to expire January 1, 2018.

The Biodiesel Blended Fuel Tax Credit provides income tax credits for retail dealers based on the total number of gallons sold of diesel fuel that contains at least 5% biodiesel. Since 2013, the Biodiesel Blended Fuel Tax Credit has been 4.5 cents per gallon of diesel fuel rated B-5 or higher. The Biodiesel Blended Fuel Tax Credit was also scheduled to expire January 1, 2018.

The Ethanol Promotion Tax Credit provides income tax credits for retail dealers who sell a specified number of gallons of biofuels during a determination period. The Ethanol Promotion Tax Credit is scheduled to expire January 1, 2021.

Iowa provides a sales and use tax refund for biodiesel production. The refund is available to biodiesel producers in an amount equal to 2 cents per gallon of biodiesel produced, up to 25 million gallons each calendar year at each facility. Previously, the refund was scheduled to expire January 1, 2018.

New Provisions

2016 Iowa Acts Senate File 2309 extends the expiration dates of the E-15 Plus Gasoline Promotion Tax Credit, the E-85 Gasoline Promotion Tax Credit, the Biodiesel Blended Fuel Tax Credit, and the sales and use tax refund for biodiesel production. All four biofuel tax programs now expire January 1, 2025.

Senate File 2309 also changes the credit amount of the Biodiesel Blended Fuel Tax Credit. Beginning January 1, 2018, diesel fuel rated B-5 or higher but less than B-11 is eligible for a credit of 3.5 cents per gallon, and diesel fuel rated B-11 or higher is eligible for a credit of 5.5 cents per gallon. Prior to January 1, 2018, the Biodiesel Blended Fuel Tax Credit remains at 4.5 cents per gallon for diesel fuel rated B-5 or higher.

Additionally, Senate File 2309 deletes references to the Ethanol Promotion Tax Credit after it expires on January 1, 2021. The Ethanol Promotion Tax Credit is still scheduled to expire on January 1, 2021.

Sections Amended _____

2016 Iowa Acts Senate File 2309 amends Sections 422.11O, 422.11P, 422.11Y, and 422.33, Code 2016, and 2011 Iowa Acts, Chapter 113.

Effective Date _____

The E-15 Plus Gasoline Promotion Tax Credit, the E-85 Gasoline Promotion Tax Credit, the Biodiesel Blended Fuel Tax Credit, and the sales and use tax refund for biodiesel production are repealed effective January 1, 2025. References to the Ethanol Promotion Tax Credit are deleted effective January 1, 2021.